Healthpoint

Information from the Division of Health Care Finance and Policy

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Number 12 January 1999

WORKING UNINSURED: A PRIORITY FOR HEALTH INSURANCE REFORM

Results from the 1998 Survey of Health Insurance Status of Massachusetts Residents indicate that, at the time the survey was completed, adults between 18 and 64 years of age accounted for more than 80% of all non-elderly uninsured people in Massachusetts[1] (see Figure 1). Nearly 75% of these adults, or about 300,000 people, were working uninsured and more than two-thirds of the working uninsured were younger adults 18-39 years of age. Therefore, younger working adults were the segment of the population *most* likely, while children 0-17 years of age were *least* likely, to be uninsured among those under 65 years of age.

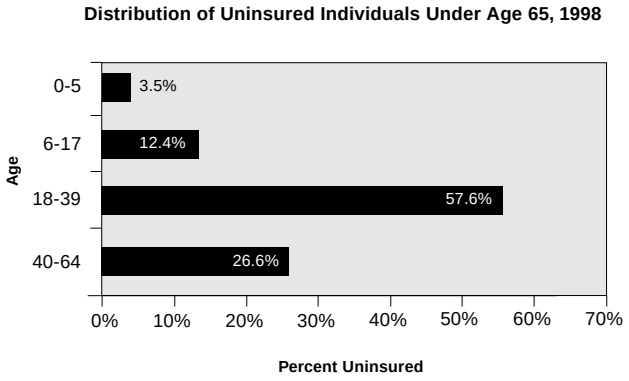

Figure 1

The 1998 study was conducted by the Center for Survey Research (CSR) at the University of Massachusetts, on behalf of the Massachusetts Division of Health Care Finance and Policy (DHCFP), pursuant to the mandate established in Section 25 of Chapter 203 of the Acts of 1996, "An Act Providing for Improved Access to Health Care." The study was conducted in two phases: from February through July 1998 the CSR conducted over 2,600 telephone surveys, and during the summer of 1998 an additional 1,076 field surveys were conducted, including 691 in-person interviews. In total, the CSR collected comprehensive, health insurance-related information on approximately 10,000 non-institutionalized Massachusetts residents.[2, 3]

The low prevalence of uninsurance among children on the one hand, and the relatively high rate of uninsurance among working adults on the other, illustrates the effectiveness of recent MassHealth expansions aimed at children and the timeliness of the current focus on expanding health insurance coverage to working uninsured individuals. This issue of *Healthpoint* uses the survey data to describe the characteristics of the working uninsured population at the time the study was conducted, and discusses policy measures currently being implemented to extend coverage to this vulnerable group.

A Profile of the Working Uninsured Population

A majority (62.5%) of working uninsured were men, 18-39 years of age. While 43% of working uninsured were low-income residents, with household incomes below 200% of the federal poverty level (FPL), the poorest of the low-income residents—those with household incomes below 133% of FPL—constituted the largest single group among low-income working uninsured (see Figure 2).

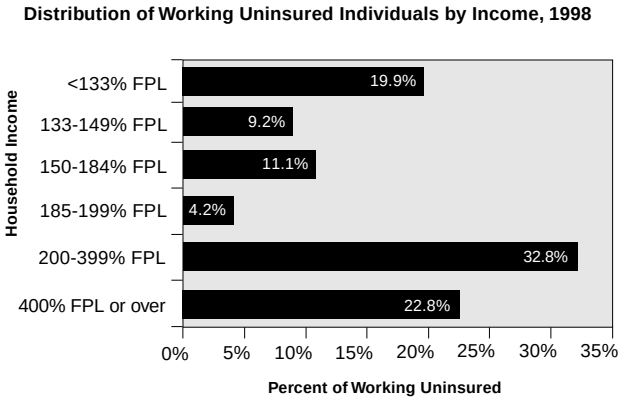

Figure 2

Employment Status. About two-thirds of working uninsured worked for one or more employer, about 21% were self-employed; and close to 12% reported being self-employed *and* working for an employer. Younger adults were more likely to be working for one or more employers and less likely to be self-employed than were adults 40 years of age or older. A majority, about 78%, of all working uninsured were employed in small firms with up to 50 employees.

Potential for Coverage through Current Employment. Over 28% of working uninsured adults, or an estimated 80,000 people statewide, reported that they were eligible for health insurance coverage through their current employer. About 40% of these people worked for small firms with up to 50 employees. A majority (67%) of the more than 40,000 people who reported that they chose not to get employer-sponsored coverage because of the cost, were adults younger than age 40. A little over 87% of all working uninsured reported that they would be willing to pay for low-cost health insurance coverage, if available. Nearly 38% of the working uninsured said they would be willing to pay $100 to $300 a month, while 60% expressed a willingness to pay up to $100 a month for coverage.

Health Service Utilization, Access and Health Status. In the year prior to the survey, about 52% of working uninsured reported no emergency room utilization, and 55% reported no outpatient utilization. More than two-thirds of those who reported using health care services—in a physician's office, emergency room, or hospital inpatient setting—were younger adults. Over one-fifth of working uninsured reported not having had access to needed care, with cost cited as the most common reason.

More than half of those who reported having a chronic condition and nearly half of those who reported having a disability were younger adults. All respondents who reported having depression/anxiety, arthritis, and diabetes were older adults, while all respondents reporting paralysis, asthma/respiratory illnesses, migraine, and disabilities associated with the knee and ankle were adults younger than 40 years of age. However, a majority (66%) of the working uninsured population reported that, overall, they were in excellent to very good health during the year prior to the survey.

Policy Implications

In summary, uninsured individuals in Massachusetts are predominantly younger adults working for small firms. Despite being eligible for health care coverage through their employer, they are

often uninsured due to the cost of coverage; but willing to purchase low-cost health care coverage, if available.

Impact of Being Uninsured on Health Status. Lack of coverage and cost of care are major barriers to accessing needed health care. These barriers influence care-seeking behavior among the uninsured in that they delay accessing care, and are more likely to receive care in inappropriate settings such as hospital emergency rooms. Delayed care substantially increases the risk of higher and prolonged (chronic) illness in this population. This fact has enormous implications not only on their health status, but also on financing or subsidizing the care of uninsured adults now and, more importantly, as they grow older.

Extending Health Care Coverage to the Working Uninsured Population. Several key findings from the 1998 health insurance survey reaffirm that Massachusetts is moving forward in the appropriate direction by initiating health insurance expansions targeted toward the working uninsured population:

- incremental health reform has reduced the prevalence of uninsurance among children;
- employer-sponsored coverage remains the mainstay of health insurance in Massachusetts;
- small employers are less likely to provide affordable health insurance to their employees;
- adults working for small employers are more likely to lack access to optimal care; and
- barriers to timely and appropriate care adversely affect the health of the uninsured adult population which, while relatively healthy now, will enter middle age at a disadvantage.

Current Policy Initiative in Massachusetts. State policymakers have begun the process of extending access to health care coverage to the working uninsured. The Massachusetts Division of Medical Assistance is authorized to establish an insurance reimbursement program (IRP) under the provisions of Chapter 47 of the Acts of 1997, "An Act Assisting in Making Health Care Available to Low-Income Uninsured and Underinsured Residents of the Commonwealth." The goal of the IRP is to encourage small employers (with no more than 50 employees) to offer health insurance to their employees, or to assist them in retaining coverage. The IRP consists of an employee subsidy (premium assistance) program, and an employer incentive (insurance partnership) program.

The premium assistance program, offered through MassHealth Family Assistance, subsidizes private health insurance premiums for eligible citizens who have access to coverage through their employer. In order to receive the benefit, the employer must contribute at least 50% to the monthly cost of the insurance. Premium assistance is designed to treat the insured and uninsured workers of small businesses equitably—both will be offered assistance in covering the cost of premiums. Premium assistance is also designed to slow or halt the gradual shift away from employer-sponsored coverage by making insurance more affordable to workers and small employers.

The Insurance Partnership (formerly the IRP employer incentive program) provides payments to small employers who offer or begin to offer health insurance coverage to their employees. For a small employer to qualify, they must contribute at least 50% to the cost of coverage. Implementation of the Insurance Partnership will begin in January 1999 with the enrollment of very small groups (generally small firms with under 10 employees) and eligible adults into the programs. The program is scheduled to be made available to all eligible groups of businesses and individuals in July 1999.

Moving Forward. Massachusetts is one of very few states to have successfully expanded access to health care coverage to almost all its uninsured children, using an incremental approach to health reform. This demonstrated success provides state policymakers with a practical model and the administrative infrastructure to implement incremental reform toward expanding health care access to the working uninsured. The success of the program, however, requires that policymakers periodically assess the impact of environmental changes such as inflation in insurance premiums and prevailing labor force trends on the dynamics of health insurance, and that program beneficiaries, primarily small business employers and employees, engage in responsible and effective partnerships with program sponsors.

Endnotes

1. An estimated 500,000 non-elderly people (0-64 years of age) were uninsured in the state at the time the study was conducted. This number is derived by extrapolating the percent of uninsured among all household respondents 0-64 years of age, to an estimated base population of 5,521,991 non-elderly, non-institutionalized people in Massachusetts at the time. Similarly, other population estimates throughout this issue, where cited, are extrapolations of the percents of household respondents to the relevant sub-populations who were asked the particular questions.
2. A copy of the results from the survey is available from the DHCFP upon request.
3. Information presented in this issue of Healthpoint is based on data collected from 2,673 Massachusetts households surveyed during the first phase of the study. These households comprised the telephone survey sample; this sample was drawn using the Random Digit Dialing method.

Further Reading

Health Insurance Status of Massachusetts Residents, Division of Health Care Finance and Policy, October 1998.

Nichols, LM, et al. Small employers: Their diversity and health insurance. An Urban Institute publication, June 1997.

Did you know?

Massachusetts HMO Pharmacy Spending and Utilization, 1997*

The recent DHCFP report, *HMO Rate Analysis,* includes Massachusetts HMO spending, unit cost and utilization data from 1996 and 1997. The data indicate that total HMO spending per member per month rose by 2.3% in 1997 over 1996. The increase resulted from higher medical spending, entirely attributable to increases in pharmacy spending and professional fees. While still representing a relatively small share of total medical spending, 10.3% on average, pharmacy expenses increased more than any other major service category in 1997. Recent media attention to the increasing cost of pharmacy benefits is supported by the findings in *HMO Rate Analysis* which identified an average 6.4% increase in pharmacy spending for Massachusetts HMOs' fully-insured commercial membership in 1997 over 1996. The wide variation in pharmacy spending, cost per prescription and utilization in 1997 is highlighted below.

	Low	Median	High
Pharmacy Spending Per Member Per Month (Excluding Copayments)	$14.66	$17.25	$33.40
Average Cost per Prescription (Excluding Copayments)	$22.80	$26.34	$32.23
Brand Name	$35.88	$44.26	$51.62
Generic	$6.02	$7.06	$12.11
Average Prescriptions Per Member Per Year	6.7	8.3	12.4
Brand Name	3.6	4.3	7.0
Generic	3.0	3.9	5.4

*Only fully-insured commercial members with pharmacy benefits are included in this table.

Source: Massachusetts Division of Health Care Finance and Policy, *HMO Rate Analysis*, September 1998.
The full report, which includes comparisons of data for 11 HMOs' fully-insured commercial membership, is available from DHCFP.

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